
HOUSE BILL 2932

State of Washington

60th Legislature

2008 Regular Session

By Representatives Anderson, Alexander, Haler, Bailey, Rodne, and Kelley

Read first time 01/18/08. Referred to Committee on Appropriations.

1 AN ACT Relating to establishing the state council on fiscal
2 management; amending RCW 43.135.025; reenacting and amending RCW
3 43.135.035; adding new sections to chapter 43.135 RCW; and providing an
4 effective date.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 NEW SECTION. **Sec. 1.** A new section is added to chapter 43.135 RCW
7 to read as follows:

8 The legislature finds that it is essential to the state's fiscal
9 stability, economic vitality, and ability to ensure the provision of
10 adequate public services to its citizens that it have more than a two-
11 year outlook on the state's operating budget. The legislature finds
12 that long-term planning has been an important tool in the preparation
13 and periodic revision of the state's capital and transportation
14 budgets, and that long-term planning should be extended, in an
15 appropriate manner, to the state's operating budget as well. The
16 legislature further finds that it is important for the governor and the
17 legislature to have a thoughtful, systematic, and credible means of
18 estimating the future budget impacts of the expenditure and revenue
19 decisions it makes. The legislature further finds that it would

1 improve budget transparency, government accountability, and better
2 public understanding of state finances for the state to prepare in an
3 open and public process a long-term outlook on the budget, to regularly
4 review and update that outlook, and to make it available to the public
5 in a clear form and easily accessible manner.

6 **Sec. 2.** RCW 43.135.025 and 2005 c 72 s 4 are each amended to read
7 as follows:

8 (1) The state shall not expend from the general fund and related
9 funds during any fiscal year state moneys in excess of the state
10 expenditure limit established under this chapter.

11 (2) Except pursuant to a declaration of emergency under RCW
12 43.135.035 or pursuant to an appropriation under RCW
13 43.135.045(~~((4)(b))~~) (2)(b), the state treasurer shall not issue or
14 redeem any check, warrant, or voucher that will result in a state
15 general fund or related fund expenditure for any fiscal year in excess
16 of the state expenditure limit established under this chapter. A
17 violation of this subsection constitutes a violation of RCW 43.88.290
18 and shall subject the state treasurer to the penalties provided in RCW
19 43.88.300.

20 (3) The state expenditure limit for any fiscal year shall be the
21 previous fiscal year's state expenditure limit increased by a
22 percentage rate that equals the fiscal growth factor.

23 (4) For purposes of computing the state expenditure limit for the
24 fiscal year beginning July 1, 2007, the phrase "the previous fiscal
25 year's state expenditure limit" means the total state expenditures from
26 the state general fund and related funds, not including federal funds,
27 for the fiscal year beginning July 1, 2006, plus the fiscal growth
28 factor.

29 (5) A state (~~(expenditure limit committee)~~) council on fiscal
30 management is established for the purpose of determining and adjusting
31 the state expenditure limit as provided in this chapter and preparing,
32 updating, and presenting a long-term outlook on the state's operating
33 budget. The members of the (~~(state expenditure limit committee)~~)
34 council are the director of financial management, the (~~(attorney~~
35 ~~general or the attorney general's designee)~~) state auditor, and the
36 chairs and ranking minority members of the senate committee on ways and
37 means and the house of representatives committee on appropriations.

1 The council shall adopt rules governing its operation. All actions of
2 the (~~state expenditure limit committee~~) council taken pursuant to
3 this chapter require an affirmative vote of at least four members.

4 (6) Each November, the (~~state expenditure limit committee~~)
5 council shall adjust the expenditure limit for the preceding fiscal
6 year based on actual expenditures and known changes in the fiscal
7 growth factor and then project an expenditure limit for the next two
8 fiscal years. If, by November 30th, the (~~state expenditure limit~~
9 ~~committee~~) council has not adopted the expenditure limit adjustment
10 and projected expenditure limit as provided in subsection (5) of this
11 section, the (~~attorney general or his or her designee~~) state auditor
12 shall adjust or project the expenditure limit, as necessary.

13 (7) "Fiscal growth factor" means the average growth in state
14 personal income for the prior ten fiscal years.

15 (8) "General fund" means the state general fund.

16 (9) "Related fund" means the health services account, violence
17 reduction and drug enforcement account, public safety and education
18 account, water quality account, or student achievement fund.

19 **Sec. 3.** RCW 43.135.035 and 2008 c 1 s 5 (Initiative Measure No.
20 960) and 2007 c 484 s 6 are each reenacted and amended to read as
21 follows:

22 (1) After July 1, 1995, any action or combination of actions by the
23 legislature that raises taxes may be taken only if approved by a two-
24 thirds vote of each house of the legislature, and then only if state
25 expenditures in any fiscal year, including the new revenue, will not
26 exceed the state expenditure limits established under this chapter.
27 Pursuant to the referendum power set forth in Article II, section 1(b)
28 of the state Constitution, tax increases may be referred to the voters
29 for their approval or rejection at an election.

30 (2)(a) If the legislative action under subsection (1) of this
31 section will result in expenditures in excess of the state expenditure
32 limit, then the action of the legislature shall not take effect until
33 approved by a vote of the people at a November general election. The
34 state (~~expenditure limit committee~~) council on fiscal management
35 shall adjust the state expenditure limit by the amount of additional
36 revenue approved by the voters under this section. This adjustment
37 shall not exceed the amount of revenue generated by the legislative

1 action during the first full fiscal year in which it is in effect. The
2 state expenditure limit shall be adjusted downward upon expiration or
3 repeal of the legislative action.

4 (b) The ballot title for any vote of the people required under this
5 section shall be substantially as follows:

6 "Shall taxes be imposed on in order to allow a
7 spending increase above last year's authorized spending adjusted for
8 personal income growth?"

9 (3)(a) The state expenditure limit may be exceeded upon declaration
10 of an emergency for a period not to exceed twenty-four months by a law
11 approved by a two-thirds vote of each house of the legislature and
12 signed by the governor. The law shall set forth the nature of the
13 emergency, which is limited to natural disasters that require immediate
14 government action to alleviate human suffering and provide humanitarian
15 assistance. The state expenditure limit may be exceeded for no more
16 than twenty-four months following the declaration of the emergency and
17 only for the purposes contained in the emergency declaration.

18 (b) Additional taxes required for an emergency under this section
19 may be imposed only until thirty days following the next general
20 election, unless an extension is approved at that general election.
21 The additional taxes shall expire upon expiration of the declaration of
22 emergency. The legislature shall not impose additional taxes for
23 emergency purposes under this subsection unless funds in the education
24 construction fund have been exhausted.

25 (c) The state or any political subdivision of the state shall not
26 impose any tax on intangible property listed in RCW 84.36.070 as that
27 statute exists on January 1, 1993.

28 (4) If the cost of any state program or function is shifted from
29 the state general fund or a related fund to another source of funding,
30 or if moneys are transferred from the state general fund or a related
31 fund to another fund or account, the state (~~expenditure limit~~
32 ~~committee~~) council on fiscal management, acting pursuant to RCW
33 43.135.025(5), shall lower the state expenditure limit to reflect the
34 shift. For the purposes of this section, a transfer of money from the
35 state general fund or a related fund to another fund or account
36 includes any state legislative action taken that has the effect of
37 reducing revenues from a particular source, where such revenues would
38 otherwise be deposited into the state general fund or a related fund,

1 while increasing the revenues from that particular source to another
2 state or local government account. This subsection does not apply to:
3 (a) The dedication or use of lottery revenues under RCW 67.70.240(3) or
4 property taxes under RCW 84.52.068, in support of education or
5 education expenditures; or (b) a transfer of moneys to, or an
6 expenditure from, the budget stabilization account.

7 (5) If the cost of any state program or function and the ongoing
8 revenue necessary to fund the program or function are shifted to the
9 state general fund or a related fund on or after January 1, 2007, the
10 state (~~expenditure limit committee~~) council on fiscal management,
11 acting pursuant to RCW 43.135.025(5), shall increase the state
12 expenditure limit to reflect the shift unless the shifted revenue had
13 previously been shifted from the general fund or a related fund.

14 (6) For the purpose of this act, "raises taxes" means any action or
15 combination of actions by the legislature that increases state tax
16 revenue deposited in any fund, budget, or account, regardless of
17 whether the revenues are deposited into the general fund.

18 NEW SECTION. Sec. 4. A new section is added to chapter 43.135 RCW
19 to read as follows:

20 No later than thirty days after enactment of each omnibus operating
21 budget act, and no later than seven days after adoption of each
22 quarterly revenue forecast under chapter 82.33 RCW, the state council
23 on fiscal management shall present a three-biennium outlook on the
24 state's operating budget. This outlook shall include but not be
25 limited to:

26 (1) Estimated resources by fiscal year, including beginning
27 reserves, revenue as forecast under chapter 82.33 RCW and as projected
28 by the state council on fiscal management, and all legislative actions
29 affecting available resources. The council's projection of state
30 revenue beyond the current forecast period shall include a baseline
31 projection and alternative optimistic and pessimistic projections.

32 (2) Budgeted and projected state expenditures, including but not
33 limited to:

- 34 (a) Public schools;
- 35 (b) Higher education;
- 36 (c) Major health care programs;
- 37 (d) Corrections;

1 (e) Employee compensation;

2 (f) Pension funding; and

3 (g) Debt service.

4 (3) Estimated ending reserves, including unrestricted reserves and
5 moneys deposited in the budget stabilization account established under
6 Article VII, section -- of the state Constitution (ESSJR 8206).

7 (4) The council shall enumerate and explain the assumptions
8 employed in its projections of revenues and expenditures, and the
9 reasons for those assumptions.

10 (5) In addition, the council shall present relevant data supporting
11 its estimates of expenditures, including but not limited to
12 enrollments, caseloads, and workloads as forecast under chapter 43.88C
13 RCW and as projected by the council.

14 (6) Each long-term outlook adopted under this chapter shall be made
15 available to the public in online form and in the most easily
16 accessible manner that is feasible.

17 NEW SECTION. **Sec. 5.** This act takes effect July 1, 2009.

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